

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508**

USTR PRESS RELEASES ARE AVAILABLE ON THE USTR HOME PAGE AT WWW.USTR.GOV.

**FOR IMMEDIATE RELEASE
FEBRUARY 14, 2000**

**CONTACT: 00-11A
AMY STILWELL OR
TODD GLASS (USTR)
(202) 395-3230
ROSEMARY
KIMBALL (FCC)
(202) 418-0511**

**UNITED STATES URGES EU TO CONTINUE PROGRESS IN OPENING
COMMUNICATIONS MARKET TO COMPETITION**

The United States today called upon the European Union (EU) to complete the transformation of the EU's telecommunications sector into a fully competitive market, in comments filed before the European Commission in its quadrennial review of EU telecommunications legislation.

"The Internet is changing the way the world works and if we expect to realize the full potential of the Internet, we must all change the way we think about telecommunications," said United States Trade Representative Charlene Barshefsky. "Whether it's E-commerce or increased access to information, the key to continued growth and development of the Internet is access and competition. Good progress has been made, but this review raises some concerns regarding the compliance to WTO commitments of some EU Member States. In order to harness the full power of the Internet, we urge EU Member State regulators to open access of local networks to competitive suppliers of Digital Subscriber Lines and other innovative technologies."

The United States and the EU both face the challenge of selecting carefully between forbearance and regulation of broadband networks, which are used for the supply of new, data-rich Internet and electronic commerce applications. In the United States, the goal is to allow markets to determine which technologies will be the best mechanisms for the supply of these services.

"The regulatory formula for successful deployment of broadband services should be to promote market entry and technology-based competition through multiple platforms," said William Kennard, chairman of the Federal Communications Commission (FCC). "The FCC applauds the EC's 1999 Telecommunications Review, which demonstrates the progress the EU has made to date towards liberalization of its markets. The review is a forward looking document calling for further liberalization where needed. We at the FCC agree that continued liberalization, especially in the local loop, is necessary to further the development of the information society. We hope that all EU Member States will embrace competition through multiple platforms as a means of

encouraging swift deployment of broadband services to as many consumers as possible."

The European Commission's review proposal called into question some EU Member States' implementation of existing obligations under EU law. In many instances, these questionable practices also have implications for EU Member States' implementation of commitments stemming from the 1997 Basic Telecommunications Agreement under the World Trade Organization (WTO). The U.S. comments detailed these areas and called on EU Member States urgently to remedy these problems.

Background

In November 1999 the European Commission issued and invited comments on its proposal, "Towards a new framework for Electronic Communications infrastructure and associated services -- The 1999 Communications Review -- Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions". The text of the Review is available at

<http://www.ispo.cec.be/infosoc/telecompolicy/review99>

Comments filed by the United States and other parties in response to the Review will be available at

<http://www.ispo.cec.be/infosoc/telecompolicy/review99/comments/comments.html>

The United States comments submitted today also addressed, inter alia, the following proposals from the European Commission:

General license authorizations: The United States supports the European Commission's proposal to harmonize and simplify licensing. Aspects of current arrangements in, for example, Belgium, France and Spain, are seen as burdensome and unnecessary.

Third generation wireless services: The United States is concerned that EU Member State licensing and radio spectrum assignment procedures should be completely open to all third generation (3G) mobile telecommunications standards adopted by the International Telecommunication Union.

Auctioning of radio spectrum: The United States strongly supports the use of auctions, as compared to comparative hearings (or "beauty contests"). Greater reliance on auction policies can strengthen the independence of the EU's newly-established telecommunications regulators, by reducing the risk, appearance and occurrence of favoritism towards incumbents and state-owned firms. The U.S. Federal Communications Commission has awarded over 8000 licenses through spectrum auctions, raising more than \$21 billion.

Withdrawal of EU leased lines directive: Dominant operators in EU Member States continue to charge excessive prices for leased lines, hindering the deployment of broadband services and the reduction of retail long-distance prices to levels comparable with prices in the United States. It

would be premature to withdraw this directive. Instead, it might be extended to cover higher capacity lines used for broadband services.

Institutional issues: In some EU Member States which retain a state ownership role in the telecommunications sector, the regulatory and the operating functions are not clearly separated, with a single government minister retaining significant responsibility for both. The United States urges that the Commission and Member States take urgent steps to separate fully the regulatory and operating functions where this is not yet the case, and also to complete pending privatization plans.